

IRS TAX TIP 2003-21

CHILD TAX CREDIT

With the Child Tax Credit, you may be able to reduce the federal tax you owe by \$600 for each qualifying child under the age of 17, according to the IRS. A qualifying child for this credit is someone who:

- Is claimed as your dependent,
- Was under age 17 at the end of 2002,
- Is your son, daughter, adopted child, grandchild, stepchild, or eligible foster child, and
- Is a U.S. citizen or resident.

The credit is limited if your modified adjusted gross income is above a certain amount. The total credit — not the per child amount — is reduced by \$50 for each \$1,000 (or part thereof) that your adjusted gross income exceeds the threshold amount. The amount at which this phaseout begins varies depending on your filing status:

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|-----------------------------|-----------|
| – Married Filing Jointly | \$110,000 |
| – Married Filing Separately | \$ 55,000 |
| – All others | \$ 75,000 |

The Child Tax Credit reduces the amount of tax you owe. In addition, if the credit you are eligible to claim exceeds your tax liability, you can claim the difference as a refund. Use Form 8812 to figure this “Additional Child Tax Credit.”

You may claim the Child Tax Credit on Form 1040 or 1040A. Details on how to compute the credit can be found in the forms’ instructions and in Publication 972, “Child Tax Credit.” The forms and publications are available from the IRS Web site at www.irs.gov or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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